

EXPORT CONTROL ACT OF 1949

FEBRUARY 4, 1949. Ordered to be printed

Mr. MAYBANK, from the Committee on Banking and Currency,
submitted the following

REPORT

(To accompany S. 548)

The Committee on Banking and Currency to which was referred the bill (S. 548) to provide for continuation of authority for the regulation of exports having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

LEGISLATIVE BACKGROUND

Section 6 of the act of July 2, 1940 (54 Stat. 714; 50 U. S. C. App. 701) authorized the President to prohibit or curtail the export of military equipment or munitions and related items, and imposed penalties for violations. The geographic scope of this section was clarified by the act of May 28, 1941 (55 Stat. 206; 50 U. S. C. App. 702). The act of June 30, 1942 (56 Stat. 463) broadened the power to cover "any articles, technical data, materials or supplies." An expiration date of June 30, 1944, was provided, subject to earlier termination by Congress or the President.

The section was extended to June 30, 1945, by the act of July 1, 1944 (56 Stat. 671), to June 30, 1946, by the act of May 23, 1946 (60 Stat. 215), and to June 30, 1947, by the act of June 30, 1946 (59 Stat. 270). It was extended to July 15, 1947, by the joint resolution of June 30, 1947 (61 Stat. 214).

Section 5 of the Second Decontrol Act of 1947 (P. L. 188, 80th Cong., 61 Stat. 321) extended the powers to February 29, 1948, and section 3 of the joint resolution of December 30, 1947 (P. L. 395, 80th Cong., 61 Stat. 946) extended these powers to February 28, 1949, and authorized the use of price criteria as a factor in export licensing.

JUSTIFICATION FOR RENEWAL

S. 548 would provide for continuance of the same powers through June 30, 1951. The policies which govern the administration of such

controls and the purposes to be accomplished are specifically set forth in section 2. Generally speaking, they are to protect the domestic economy by limiting exports of scarce materials, and to channel exports to countries where need is greatest and where our foreign-policy and national security interests would be best served.

The determination of what commodities shall be controlled and the fixing of export quotas have been delegated by the President to the Secretary of Commerce, but the decisions on such matters are made only after extensive review by an interagency committee on which all interested departments are represented.

The committee felt that the Secretary of Agriculture should, because of his general responsibilities in the field of food and agriculture, be given final responsibility for determining the total amount of agricultural commodities, including fats and oils, which are in excess of our own needs and which could, accordingly, be authorized for export. It was also felt that the Secretary of Agriculture would be in the best position to act quickly on such matters. On the other hand, it must be recognized that there may be considerations of foreign policy or national security which require restricting exports of such commodities to certain destinations or end uses. To carry out this intent, the committee recommend the following new subsection be added as (c) at end of section 3 of S. 548:

The authority conferred by this section shall not be exercised with respect to any agricultural commodity, including fats and oils, during any period for which the supply of such commodity is determined by the Secretary of Agriculture to be in excess of the requirements of the domestic economy, except to the extent required to effectuate the policies set forth in clause (b) or clause (c) of section 2 hereof.

Export controls were retained after the war to reduce the inflationary effect of abnormal foreign demands upon our supplies. Shortages were widespread, and unrestricted exports would have seriously aggravated the situation. We are still faced with shortages in important commodities, mainly steel, the nonferrous metals, fibers, meats, fertilizers, certain chemicals and certain building materials, although the domestic and world-supply situation has improved since the end of the war, particularly during the past year—the first year of the European recovery program. This has been reflected in a substantial reduction in the number of commodities subject to individual export licensing for all destinations. Lumber, poles, plywood, and gypsum board and lath were decontrolled at the end of 1948, as were some chemicals and drugs, including soda ash, caustic soda, and streptomycin. There should be continued improvement along these lines, but we must recognize that domestic shortages may become worse and these controls should be available to meet such situations. At the end of the report, there is included a summary statement giving the highlights of the supply situation of the commodities now under export control.

A significant development in the progressive elimination of controls over commodities formerly in short supply has been the establishment by the Department of Commerce of open-end quotas. Where the domestic supply situation has not improved sufficiently to permit complete decontrol, it is nevertheless frequently possible to approve licenses without quota restriction against qualified applications. This practice permits "advance notice" to the Government of intended

The plant consists of 108 permanent buildings on a site of about 298 acres, immediately at the edge of the city. The original installation is reported to have cost \$10,393,000. The buildings are in good condition, although all of the movable equipment has been removed.

The plant has been examined with a view to its conversion to an Indian vocational school. While not ideal, from school standards, it was found that a majority of the buildings may be converted to profitable use. Two great lacks will be classroom facilities and quarters for resident employees. It will also be necessary to reequip the plant completely.

In the proposed use of the plant, two goals are possible. First, a school of about 1,400 pupils, which can be achieved with a minimum of additional construction. Second, a school of 2,000, which can be achieved by the construction of additional classroom facilities and employees' quarters. In either event the per-pupil cost will be well below that necessary to provide new facilities for an equal number of children.

After mature consideration it is my recommendation that plans be made for a school of 2,000 Navajo children at the Bushnell hospital plant, for this will provide for the education of the greatest number of Indians not now in any school for the least expenditure of funds. The necessary remodeling to provide dormitory facilities for 2,000 children is very slight. However, it will be necessary to provide by remodeling or by new construction quarters for approximately 100 married couples as well as more desirable quarters for approximately 90 single employees. It is assumed that about 25 will be housed off campus. The only employees housed on the Bushnell grounds were single nurses and WAC officers who were given one small room each, which is less than is being supplied to Indian Service employees anywhere in the United States. Officers were required to live off campus; many of the maintenance employees were employed from among the local residents who already had homes in Brigham City; and relatively few of the employed personnel were married. For an Indian Service boarding school, it will be necessary for the majority of teachers, dormitory workers, and supervisory personnel to be housed on the campus. It will be possible to make an arrangement very similar to that of the hospital in seeking maintenance employees from among the residents of the community who will have their own homes. Only 2 of the major buildings on the campus are suitable for remodeling into classroom structures and these will provide only 35 classrooms. It will, therefore, be necessary to build 3 additional structures of about 14 classrooms each to provide the necessary adequate space (total, 42 additional rooms). Scattered around the grounds are other structures which will lend themselves to use as home economics rooms and shops. The hospital had a gymnasium and a swimming pool but no large auditorium. With 2,000 students it will be necessary to have an additional gymnasium and an auditorium of between 800 and 1,200 seating capacity. It is estimated that:

The cost of repairs and alterations will amount to approximately.....	\$950, 000
The cost of new construction will amount to approximately.....	1, 867, 000
Of new equipment to replace that which has been removed.....	700, 000
Supervision and contingencies.....	128, 000

Subtotal..... 3, 645, 000

It is proposed, also, to use the Bushnell grounds and some of the structures as a center for adult Navajos and other Indians for whom off-reservation employment and permanent relocation is being sought. These families will be allowed to live at the site between periods of seasonal employment, and during their residence a program of training in off-reservation manners and customs and in the use of English will be undertaken. The necessary alterations and equipment to provide 36 apartments for this purpose will be..... 133, 000

Total..... 3, 778, 000

A careful study shows that the cost of operating the public utilities (heat, light, sewage, etc.) will amount to \$280,200 annually for 2,000 children. If the total amount for repairs, alterations, and new construction is provided during the spring of the year and new construction begins as promptly as possible, it should prove possible to enroll an average of 1,200 children at Bushnell during the fiscal year 1950. It is estimated that the cost of operating plant and utilities for this limited number of children will be \$252,000 for the full 12 months. At

the trade for export control purposes specifically provides that the Department will be governed by the principles announced in Senate Concurrent Resolution 14 (80th Cong.) regarding small business. In addition, it should be noted that specific provision is made in this bill (sec. 4 (b)) that in granting licenses for export consideration shall be given to the interests of small and merchant exporters.

The Investigations Subcommittee of the Senate Committee on Expenditures in the Executive Departments, in its interim report based upon its study, during September 1948, of the administration of export controls (80th Cong., 2d sess., Rept. No. 1775, pt. 2, p. 20), undertaken in conjunction with the Special Committee to Study the Problems of Small Business, stated:

It is the opinion of this committee that the Office of International Trade should be commended for setting up commodity export advisory panels in April of this year. These panels afford a method by which the Office of International Trade may consult with and secure the active cooperation of various segments of the export trade for the purpose of strengthening the export control program. Although the inauguration of this policy did not result from the committee's investigation it is felt that this matter should be discussed in this report. Each panel as now set up, represents a cross section of the export trade engaged in exporting a particular commodity. As a result of the work of these panels many exporters have learned at first hand the problems in licensing limited quantities of scarce commodities and the Office of International Trade has been able to secure the benefit of trade consultation in arriving at export control policies. This policy of trade consultation should be continued and if possible should be expanded in an effort to further strengthen the export control program.

Testimony was presented to the committee to the general effect that fully half of the merchant exporters, particularly those established since the end of the war, would fall in the category of small business. In numbers, moreover, merchant exporters comprise by far the majority of persons engaged in the export trade. It was further pointed out to the committee that to the extent that small-businessmen were having difficulty in obtaining a larger share of the export business, this was due chiefly to present day abnormal conditions in foreign trade. The committee was furnished with information indicating the distribution of licenses in a number of commodities among small business, merchant exporters, and established and new exporters, and was impressed with the fact that by and large a fair distribution had been achieved.

SECTION BY SECTION ANALYSIS OF BILL

The bill, in general, makes no substantive changes in the present law. The existing flexible powers are preserved with respect to the controlling of commodities, the licensing of specific exportations, and the application of price, destination, end-use, and other pertinent licensing standards and criteria necessary to carry out the purposes of the act. Because of the complications that would be involved in further amending a law that had already been amended several times, it was deemed preferable to restate in one bill all existing powers, together with the new enforcement authority which is provided by this bill. It was also deemed necessary to restate the governing policies in the light of the current domestic and world situation.

Experience makes it clear that this system of flexible controls must be retained. As Secretary Sawyer testified before this committee, "supply-demand situations at the present time are subject to fluctu-

ation, and we must be able to cope with any development in this respect which might adversely affect our domestic economy. From the viewpoint of the national security and our foreign policy, moreover, there is an increasing need for continuance of export controls." At the same time, it is the considered judgment of this committee that the presently applied standards and policies which are restated in sections 2 and 4 of the bill will adequately guide and direct the course of administrative action and protect the public and trade interests.

Worthy of underscoring in this connection are the directives of sections 4 (a) and (b) of the bill. Section 4 (a) provides for inter-departmental consultation as to specific items to be controlled and the extent of such control. Section 4 (b) would require consultation with representatives of the export trade concerning the manner and criteria for determining which exporters shall receive licenses. Under existing law, consultation on this matter is entirely discretionary. In addition, to carry out the policies of the act—antiinflation, foreign policy, and national security—it is necessary to consider other factors in choosing between license applications. These include such matters as the country of destination, the end-use or the consignee, and price. Also, standards must be established to make sure that licenses are actually used by the licensees. These include such requirements as evidence of the existence of export orders or contracts, and evidence of availability of the goods for export. These are all provided for in the last sentence of section 4 (b).

The principal additions to the present law that are effected by S. 548 are the provisions which are designed to implement enforcement of export controls. The present enforcement regulations stem from the general authority to issue all necessary rules and regulations. The interim report of the investigations subcommittee, already cited, pointed out the necessity for an augmented foreign and domestic compliance program. The President's message to the Congress emphasized the need for strong enforcement measures. The Secretary of Commerce made a like recommendation to this committee. In order to give effect to these recommendations, with which this committee concurs, specific authority for undertaking all necessary enforcement measures is provided in the bill. These are contained particularly in sections 3 and 6.

Section 6 of the bill furnishes the usual administrative powers of investigation, subpoena, and the authority to require testimony under oath. Such powers are lacking in the present law. They are required for the prevention and discovery of such abuses as the submission of false information to induce the issuance of licenses, trafficking in licenses, and fraudulent shipments of unlicensed commodities, and, as well, of such other abuses as the transshipment and diversion of scarce and strategic commodities, to unauthorized destinations, for unsanctioned uses. Ample safeguards against administrative misuse of these enforcement powers are provided by the requirement that they be utilized solely "To the extent necessary or appropriate to the enforcement of this act * * *," by the interposition of the United States district courts in any proposed enforcement of a subpoena; by the inclusion of the standard immunity provisions of the Compulsory Testimony Act of February 11, 1893 (27 Stat. 443), as an adequate protection against criminal prosecution to any individuals that

may be required to give self-incriminatory testimony; and by the prohibition against disclosure of confidential information furnished. These safeguards will in the long run impart added effectiveness to investigations of violations, and to administrative proceedings for the denial of licensing privileges for violations, which are contemplated by section 6 of the bill. Authority for denial of licensing privileges has always been inherent in the power to prohibit or curtail exportations.

Additional powers, solely designed for enforcement, are included in section 3 (a). These are intended to make clear the existence of enforcement authority to obtain, by regulation or otherwise, the aid and cooperation of persons connected with the "financing, transporting, and other servicing of exports," in preventing and uncovering export control violations here and abroad. No general regulatory power over banks or other persons involved in servicing exports is intended. The authority given is limited to the purposes of this act, and regulations can be promulgated thereunder only for enforcement purposes. For example, banks may have information which unscrupulous exporters might try to conceal or misrepresent in attempting to obtain export licenses. Under this authority, regulations could be promulgated to require the reporting of such information, and in other ways prevent the use of banks in carrying out illegal exports. In accordance with the recommendations of the Investigations Subcommittee of the Senate Committee on Expenditures in the Executive Departments, referred to above, this committee is informed that the Office of International Trade is undertaking the establishment of a program of voluntary cooperation with persons engaged in performing the functions of financing and other servicing of exports, to obtain their assistance in the enforcement of export controls. Further following the recommendations of the subcommittee, the promulgation of regulations under this authority will be made dependent upon the extent to which effective voluntary cooperation can be obtained within a reasonable period of time.

Section 5 preserves the criminal sanctions of the present law, but reduces the possible length of sentence from 2 years to 1 year. This would expedite prosecution of violators by allowing an information to be filed with a United States district court (a simplified criminal procedure) rather than upon indictment by a grand jury.

There is continued a limited exemption from the Administrative Procedure Act. By section 7, provision is made that section 3 alone (the public information requirement) of the Administrative Procedure Act shall be applicable to the export control program in view of the temporary character of this legislation and its intimate relation to foreign policy and national security. This is in accord with the policy expressed in section 2 of the Administrative Procedure Act itself. Other temporary regulatory activities authorized since that act have been granted comparable exemptions. Examples of such are contained in the Sugar Control Extension Act (50 U. S. C. App. 981-985); Housing and Rent Act of 1947 (50 U. S. C., App. 1881-1884, 1891-1902); Veterans Emergency Housing Program (50 U. S. C. 1821-1833); War Housing Insurance Act (12 U. S. C. 1738, 1739, 1743, 1744). The essential safeguards of consultation with the trade in promulgating regulations, and of an opportunity to be heard on appeal from hardship, are obtained through the aforementioned provisions of the

bill (4b) and existing agency procedures for review and appeals from licensing and compliance actions.

Section 8 of the bill preserves the present statutory requirement of reports to Congress by the agency administering export controls, but merely changes the time for submission of such reports to within 45 days rather than within 30 days after each quarter. The modification is made for administrative convenience and to allow inclusion of more current information and statistical data.

Section 10 has the effect of transferring the export licensing authority on tin-plate scrap, now in the Department of State, to the agency which would administer this bill. For some time past, the Department of Commerce, which, under the present export control law, licenses other kinds of tin plate, has been handling the licensing of tin-plate scrap under an administrative arrangement with the State Department. It should be observed, however, that the bill makes no change whatever in the present laws concerning the control of exports of narcotics, helium, gold, munitions of war, or atomic energy materials.

TECHNICAL AMENDMENTS

1. In section 2, strike out "fulfill", and insert in lieu thereof, "to aid in fulfilling".

2. In section 3 (a), strike out "carriage", and insert in lieu thereof, "transporting".

3. In section 4 (a), immediately following the word "department", strike out "or" and insert a comma; and following the word "agency", insert ", or official".

4. In last sentence of section 4 (b), immediately following the word "agency" insert ", or official".

5. In second sentence of section 6 (a), immediately following the word "court" where that word first appears, insert "of the United States".

6. In first line of section 6 (c), immediately following the word "department", strike out "or" and insert a comma; and following the word "agency" in same line, insert ", or official".

7. In section 8, immediately following the word "agency", insert ", or official".

8. In second sentence of section 11, immediately following the word "delegations", insert "rules".

MAJOR COMMODITIES UNDER EXPORT CONTROL FOR SUPPLY REASONS

Nonferrous metals

The nonferrous metals, copper, zinc, lead, tin, and aluminum, currently offer the most serious supply problems to the United States. The world-wide scarcity, the immediate needs of the strategic stockpile, the expanded military programs, the high level of domestic industrial activity, and continued foreign demands indicate that the shortage of nonferrous metals will not be overcome in the near future.

The United States has become increasingly dependent on foreign sources to meet a large portion of its nonferrous metal requirements. The high level of consumption during the war and in the postwar period has increased this dependence. In recognition of our reliance on im-

ports for these basic metals, the Department of Commerce has made special efforts to stimulate foreign production and increase the volume of shipments to the United States. Nonferrous mining operations in the Western Hemisphere are allocated as much materials as we can spare which are necessary for their maintenance, repair, and development.

The increasing pressure on nonferrous metal supplies during 1948 was reflected in a tightening of export controls. Aluminum plate, sheet, and strip were added to the Positive List in August 1948 because of rapidly expanding domestic demand and a relatively high level of exports. The quotas which have been established for aluminum will result in a sharp decrease in the rate of exports. Quotas for other nonferrous metals were also reduced during the year.

Steel

Because of the continuing steel shortages, virtually all steel products are under export control, a significant change from the situation in 1947, when less than half of the steel tonnage exported was under control. Shipments abroad hit a postwar peak in the second quarter of 1947, when they reached an annual rate of 6.9 million tons or 10.7 percent of the supply. For the year 1947 as a whole, exports totaled 6.5 million tons or 10.3 percent of the supply. In each quarter of 1948, the downward trend has continued. In the first quarter, exports were at an annual rate of 5.4 million tons, or 8.3 percent of the supply; in the second quarter, 4.3 million tons, or 6.7 percent of supply; in the third quarter, the annual rate of exports was down to less than 3.7 million tons; and by the fourth quarter, the annual rate of exports was 3.3 million tons, or 4.8 percent of the supply. For purposes of comparison, it may be noted that in the immediate prewar period, exports accounted for 7.6 percent of the supply.

The sharp increases in steel production abroad in 1948 contributed importantly to the reduction of foreign demand upon the United States. This is particularly true of the European recovery program countries where most of the production increase was concentrated, and which before the war required little steel from the United States. For the most part, increased output abroad was used to satisfy indigenous needs, but a part was also used to fill demands in other countries.

An increased share of the steel exported from the United States in 1948 was destined for special projects operations and activities abroad of such high importance to the United States as to merit special attention to their requirements for steel and other scarce materials. Roughly one-fourth of the total steel quotas were earmarked for these projects, most of which are owned or controlled by American interests. The bulk of the steel moving under special project license was used for petroleum operations abroad, in Venezuela and other countries of Latin America, and in the Middle and Far East. Smaller quantities were licensed for a number of mining operations engaged in the production of strategic and critical materials needed in the United States. Practically all of the casing and oil line pipe and large portions of the unlined storage tanks, seamless black pipe, structural shapes, and reinforcing bars which were permitted for export were needed to maintain and expand these special project activities abroad.

Machinery and equipment

The major machinery items whose exports are controlled in order to protect the domestic supply are railway freight cars and parts. To conserve steel and insure an increased domestic freight car park, freight cars were placed on the positive list on July 1, 1947. Production has been steadily increasing since the beginning of 1947; but the total of cars in operation has not increased appreciably because of the large number of retirements. Freight car parts and air brake equipment were also added to the positive list in February 1948.

While some commodities in the machinery category are still in tight supply, the producers themselves have limited exports without Government controls. Production of motor vehicles, for example, is still short of demand, but exports in 1948, in the absence of controls, represented a little over 6 percent of production, compared with 7 percent in 1947 and 8 percent prewar. The situation with respect to farm machinery and tractors is essentially the same.

(NOTE.—While not under control to other destinations, shipments of all machinery and transportation equipment to Europe must be licensed.)

Fertilizers

Fertilizers are composed of three types of primary materials, nitrogenous, phosphatic, and potassic. There is a world shortage of fertilizer material which is particularly serious in the case of the nitrogenous. Nitrogenous fertilizers are subject to strict export controls to all destinations.

Current United States supplies of phosphatic fertilizers are adequate to permit free exports without adverse effect, so they are no longer on the Positive List.

Prewar Germany was the world's major supplier of potash. Approximately 60 percent of Germany's resources are located in the Soviet zone. Potash supplies for western Europe now come mainly from France, Spain, and Palestine, and some from Russia. Shipments of potash from the United States to Western Hemisphere destinations and the Philippines are not subject to export licensing, but exports to all other areas are tightly controlled.

Textiles

Export controls over textiles are limited to fibers not produced in the United States—jute, manila, and sisal—and to their products, including binder and baler twine. Since output of raw cotton and cotton goods is ample to meet all domestic demands, and to provide a substantial surplus for export, these products are free of Positive List control. Rayon and other synthetics are exempt from control for the same basic reason. In the case of wool, where the United States is dependent upon imports to meet a major part of its needs, controls are likewise unnecessary because of the general adequacy of world supply and because of the traditionally low level of export demand.

Building materials

Few building materials normally enter the export market to an appreciable extent. Controls, therefore, have been exercised on a selective basis, and materials have been removed from export control as rapidly as permitted by the underlying supply-demand situation. At the present time only a few building materials items remain under

export control. These are the items presently in shortest supply, such as water closet sets, metal window and door frames, cast-iron soil pipe, iron and steel conduit and woven wire screen cloth. Exports of prefabricated houses also are subject to individual licensing. Continued selective control is essential in this field in order to prevent excessive drains on the domestic supply which might impede needed construction.

Coal

The coal situation improved materially in 1948, both in the United States and abroad. Increased production in Western Europe, as well as the scarcity of dollars, has eased the pressure of demand upon the United States, and domestic production has been adequate to supply both domestic needs and reduced foreign requirements.

The decline in foreign requirements, coupled with continued high levels of production and rising stocks, have permitted a relaxation of export restrictions. Since September 1948, coal has been under open-end quota, and applications have been licensed freely. Controls have been maintained chiefly because of continued shortages of high grades of low volatile coal.

Petroleum

The petroleum supply position this year has proved adequate not only to meet the seasonally high summertime demands for gasoline, but also to permit the build-up of substantial inventories of heating oils to meet the needs of winter consumption. A careful check has had to be maintained on the volume of exports, however, because petroleum continues to be in tight world supply.

The balance in supply and demand was achieved in this country in 1948 by importing more petroleum than we export. This is a basic change from prewar when, in 1939 for example, we exported five times as much as we imported. In recognition of the increased dependence of the United States and western Europe upon petroleum supplies from the Middle East and Latin America, petroleum projects abroad have had to be supported with such materials as could be made available. About 80 percent of the steel allocated for export for all project purposes—petroleum, mining, transportation, food, etc.—is being used for petroleum operations.

Chemicals and drugs

The year 1948 was, in general, a peak production year for chemicals and drugs, by the end of which many of the more acute supply shortages had been overcome. A major factor in the postwar world shortage in this field has been the disruption of the European industry. The increased production in the United Kingdom and Germany during the past year and the expansion of output in Italy, Switzerland, South Africa, Canada, and Australia have lessened the pressure on United States supplies.

The pattern of United States export controls has followed closely the changes in the supply situation and outlook. During the year, such important products as soda ash, caustic soda, lauryl alcohol, phenol formaldehyde resins, creosote, insulin, and streptomycin were removed from the Positive List. On the other hand, for a few other products it was necessary to tighten controls because of growing

shortages of the basic nonferrous metals from which they are derived. These include antimony oxide, the lead chemicals and the chromates.

Coal chemicals

One of the immediate byproducts of the coking of coal is crude coal tar which, when further distilled, is a source of a large number of chemical products including benzene, toluene, cresols, creosote oil and naphthalene. From these in turn are derived such finished products as plastics, dyes, synthetic fibers, pharmaceuticals, insecticides, and explosives. Of the coal chemicals, those still in short supply in the United States—cresols, cresylic acid, benzol, and phenol—are subject to export controls.

Chromium chemicals

Most important of the chromium chemicals is sodium bichromate, which is used directly in the textile and tanning industries, and is also the base from which chromic acid, potassium bichromate, and chromium tanning mixtures are produced. United States supplies are inadequate to meet both the present high level of domestic consumption and unrestricted foreign requirements, and accordingly, reduced export quotas have been imposed.

Caustic soda and soda ash

The alkalis afford excellent examples of the need to keep export control authority flexible to meet changing supply conditions. At the beginning of 1948, the world shortage of these materials was acute, and foreign requirements far exceeded established export quotas. During the year, however, increased domestic production and a sharp decline in foreign demands made possible, first, an easing of quota restrictions, and finally, the removal of soda ash and caustic soda from the Positive List.

Lumber

The high level of lumber production reached in 1947 has been maintained throughout 1948. While domestic demand for lumber has been large, all requirements including a high volume for housing construction have been met. Imports of lumber, which come chiefly from Canada, have increased even more sharply than domestic production. With these increases in supply, shortages in the common grades of lumber have eased considerably during the past year.

In line with the policy to retain export controls only so long as there is a clear need for their continuation, virtually all lumber was removed from the Positive List as of January 1, 1949. The only lumber items remaining under control are Port Orford cedar (a specialty product used to make separators for storage batteries), railroad ties, and millwork.

Food

Cereals are under export control primarily to assure a fair distribution among countries in need. Cereal grains and their products, excluding rice, are not presently controlled for export to the Western Hemisphere countries and the Philippines, licensing requirements having been suspended in the last half of 1948 after good harvests were assured and supplies from the new crops began to come to market. Shipments of wheat, wheat flour, oats, barley and grain sorghums to Western Hemisphere countries and the Philippines were

removed from export restrictions in August 1948. Export license requirements for corn to these countries were continued until December, 1948, in order to protect supplies from the poor crop of 1947 and until grain from the bumper crop of 1948 began to appear on the market. Export license requirements for rye and rye flour were also continued until December because of the limited supplies of that crop in this country.

While world supplies of meat are only slightly below prewar, the decline has been substantial in the importing countries, and much of the increase in the exporting countries has been retained for domestic consumption. World requirements for meat are far in excess of available supplies, and the pressure of rising populations and the desirability of better living standards point to a continuation of the world shortage of meats for some time to come. In view of the tight meat situation, reflected in record prices in 1948, the Department of Commerce has controlled the exports of meat very carefully. Only token amounts have been allocated for export, and only a fraction of one percent of our supply was exported in 1948.

The outlook for fats and oils supplies in 1949 is favorable. During the time of the committee's hearings, the Department of Commerce decontrolled exports of inedible fats and oils and was also able to increase the export quotas for lard, cottonseed and soybean oils. Indications are that large oilseed plantings will be made again this spring, and the spring pig crop is reported as 10 percent over the previous season's crop. With favorable weather conditions, a further easing of the fat situation can be expected, although supplies do not appear sufficient to meet total potential demand for both domestic and foreign needs.